

EAMA response to the **Skidmore** review of net zero, call for evidence

<https://www.gov.uk/government/consultations/review-of-net-zero-call-for-evidence>

Key Points

- Government should give greater leadership on net zero - explain, show by example and regulate more.
- Develop a coherent national programme for improving manufacturing, as comparable nations have, based on competitiveness and net zero objectives.
- Work more closely with trade associations to achieve net zero objectives and to increase exports.

Question 1: How does net zero enable us to meet our economic growth target of 2.5% a year?

- 1 Consumption without environmental costing and low-cost energy have driven growth hitherto. Those factors are unlikely to be as important in a net zero future.

Question 2: What challenges and obstacles have you identified to decarbonisation?

- 2 In the immediate term, firms have more pressing priorities, such as supply delays, energy bills, cash flow, and supply chain credit-worthiness. Many SMEs were already “time-poor” and will have less time for the detail of net zero. That said, net zero, energy efficiency and cost reduction are often complementary and many firms have increased their efforts and investments to reduce energy use.
- 3 While there is a recognition of the need for net zero and enthusiasm for action, there is at the same time a lack of confidence as to the value of some off-setting schemes and other reporting. There is keen awareness of “green-washing”.
- 4 Volatility in government policies. Firms lack confidence that policies will remain in place for a length of time that would justify investments. Mixed messages from government this autumn have strengthened that feeling, with U-turns on policy relating to use of oil and gas.
- 5 Growing concern as to the cost of some decarbonisation schemes, which feeds into uncertainty as to government action. An example is lack of clarity as to the tax position of all-

electric cars in the medium-term, as well as worries over whether recharging infrastructure will be able to meet demand.

- 6 Inconsistency in advice. SMEs hear conflicting advice as to whether to focus on Scope 1&2 or 1,2& 3 emissions.
- 7 Conflicting reporting requirements from industrial customers.
- 8 Inadequate grid capacity to supply electricity in some areas. This holds back sustainable initiatives such as EV fleets and industrial and other development.
- 9 Inadequate grid capacity to receive electricity back from firms. This issue is holding back investment in on-site generation and needs urgently to be addressed.
- 10 Technician and engineering skills gaps, which appear to be worsening. Greater flexibility in the apprenticeship levy will give help large companies but the greater problem is the availability and affordability of training for SMEs, as well as challenges of attracting young people.
- 11 Adoption of digital and other technology. The High Value Manufacturing Catapult has noted that a skills gap is holding back investment in manufacturing technology.

Question 3: What opportunities are there for new/amended measures to stimulate or facilitate the transition to net zero in a way that is pro-growth and/or pro-business?

- 12 Government set the net zero target in law and must give greater leadership on net zero generally.
- 13 Market forces have a vital role to play, but government should regulate more strongly, and perhaps should rely less on nudges and incentives, which can be expensive to set up and run and are often ended before they have strong impact. An example is solar roofing. Some SME manufacturers which own their buildings have made long-term investments in solar roofing, which they justify on financial grounds. All such companies surveyed by EAMA say the government should make solar mandatory on all new buildings – industrial, commercial and domestic – if it is serious about net zero. Such a measure would boost awareness of sustainability, reduce transmission losses, increase energy resilience and be a positive step towards net zero. It would also create new design and manufacturing opportunities in what will be a global industry. In the absence of regulation, developers are much less likely to use solar and the UK will fall behind as a country with strong sustainability credentials.
- 14 There is insufficient awareness of what measures can be taken and an opportunity to change that. In machinery and component supply chain issues, EAMA trade associations can work more closely with government - providing outstanding value for the taxpayers. The same is true of many other trade associations.
- 15 All EAMA members are already active in helping their sectors to reduce carbon use and to accelerate innovation. Examples:
 - At present, 10% of all industrial electricity is used in powering air compressors (Source:

Carbon Trust). The British Compressed Air Society has identified that roughly one third of that can be saved regular, whole-system audits, system specification, useage and maintenance. Its Taskforce 10 project, run with members, reaches out to all compressor users in industry to encourage better behaviours and is having impact. It was launch as a decarbonisation initiative, primarily, but its impact has been much greater since the energy bill crisis.

- The British Plastics Federation has a long-standing environmental committee and have run a Carbon Reduction Agreement with BEIS for six years, which has been beneficial in itself and from which various other initiatives have emerged.
- The GTMA (including gauge and tool makers, and metrology) works with various industries, including rail, to encourage light-weighting and know-how transfer.
- Additive Manufacturing UK is helping to lead understanding, development and adoption of additive manufacturing/3-D-printing in the UK and is part of EAMA member, the Manufacturing Technologies Association.

Question 4: What more could government do to support businesses, consumers and other actors to decarbonise?

Continuing from answers to Q3:

- 16 Encourage public sector leadership. Government departments should lead by publishing their net zero plans.
- 17 Provide advice. We were surprised by the Truss government's decision not to advise householders on energy use. EAMA members work to advise their members on sectors, and to facilitate sharing of ideas. That is widely welcomed by firms and we are unaware of any criticism of these activities. A national programme of advice would be helpful for firms seeking to specific or improve their buildings, to ensure that employees and machines can work in a way that is comfortable, reliable and energy efficient.
- 18 Targeted incentives for industrial investment, from design through to manufacture, would accelerate UK productivity and competitiveness and help to achieve net zero. They are especially relevant in industries that compete internationally and in complex supply chains, advanced engineering and manufacturing.
- 19 Review the Energy Technology List (ETL) and whether it is appropriate to the needs of net zero or local authorities.
- 20 In regulation and in advice, move towards a system-based approach rather than product-based approach. By adopting a system approach, regulation improves UK carbon performance, capturing useage and behaviours as early wins - without conflicting with industry standards and regulation in other countries.
- 21 Promote awareness of circular economy opportunities and of the technologies and skills likely to be developed and needed in the future.

Question 5: Where and in what areas of policy focus could net zero be achieved in a more economically efficient manner?

- 22 The Levelling Up White Paper, published in February 2022, that identified an imperative to “reverse the historic decline of manufacturing in the UK”. The new government should re-state that imperative. In support of achieving that goal, it should have a coherent national programme, locally delivered, to strengthen the net zero capability of UK advanced engineering and manufacturing. Almost all comparable nations have such programmes.
- 23 Government has specific favoured sectors, where it has invested in supply chain improvements – automotive, offshore wind and defence, for example. The lessons should be applied much more widely, to help strengthen the competitiveness and net zero capability of the economy.
- 24 The Made Smarter Adoption programme has been disappointing, in that it has been funded only in a small number of regions. What is needed is a nationally coherent programme based on up-skilling and technology adoption appropriate for the digital age.
- 25 Innovate UK currently rejects a high proportion of the bids for grant support from SMEs that it considers of high quality, due to lack of funding. Its funding should be increased, or alternative ways found, to help to propel forward UK SMEs.
- 26 The High Value Manufacturing Catapult is insufficiently engaged with SMEs. It should be directed and funded to remedy this short-coming.
- 27 EAMA’s trade associations represent national clusters of capability and can support government and its agencies in promoting these initiatives.

Question 6: How should we balance our priorities to maintaining energy security with our commitments to delivering net zero by 2050?

- 28 The two are not necessarily in conflict. There is a developing link between UK energy security and net zero. This has been highlighted by the consequences of the war in Ukraine, which has given new urgency to developing innovative technologies, such as green hydrogen and advanced nuclear (small and advanced modular reactors, SMRs and AMRs).

Question 7: What export opportunities does the transition to net zero present for the UK economy or UK businesses?

- 29 The Johnson government scaled back and narrowed the UK’s export ambitions between the 2019 and 2021 Export Strategies, and has reduced the support for SMEs. The value of working with trade associations, explicitly referenced in 2019 Export, no longer seems strongly recognised and DIT has greatly reduced the number of trade associations with which it works. These changes have weakened export efforts and should be reversed. A broadly-based revival of UK exporting is required.
- 30 A more settled and positive relationship with the EU would strengthen UK industry’s ability to drive forward and benefit from net zero efforts in our sector.

About EAMA: The Engineering and Machinery Alliance is made up of trade associations serving the UK machinery and component supply chain. Each member can be seen as a national cluster of competence in a given sub-sector.

Firms represented are involved in: machine tools and tooling; additive manufacturing/3D-printing; automation and control; plastics; turned parts sub-contracting; compressed air systems; fluid power systems; printing technology; agricultural equipment; laboratory equipment; and solids handling and processing systems.

Member associations: Agricultural Engineers Association; British Compressed Air Society; British Fluid Power Association; British Turned Parts Manufacturers Association; Gambica; Gauge and Toll Makers Association; Manufacturing Technologies Associations, Printing Industries Confederation; Solids Handling and Processing Association.

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